



Revenue Information Bulletin No. 06-015
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Corporation Income Tax and Individual Income Tax

Withholding on Non-Employee Compensation by Nonresident Contractors

The Department of Revenue recently amended LAC 61:I:4373.C to provide nonresident contractors with an option concerning the required surety bond. The new option provides for a bond equal to two and one-half percent of the gross contract amount or \$1,000, whichever is greater, if income tax withholdings remitted to the Department include such payments deducted from non-employee compensation. The purpose of this Revenue Information Bulletin is to explain what is required of nonresident contractors in order to meet the withholding requirements of this new option.

Who is Affected

Any nonresident contractor subject to the surety bond requirements of R.S. 47:306(D) can take advantage of the new option.

What is Required

To be eligible for the reduced bond requirement the nonresident contractor must register with the Department for a “non-employee compensation withholding” account and withhold on certain payments to non-employees. To register the nonresident contractor should complete the CR 1 form (R-16019) and write “Withholding-1099” on line 1 in the other tax (“F”) category. Once registered, the taxpayer should report the non-employee withholding on the Non-employee Compensation form (R-1309) instead of the Employers’ State Income Tax Withheld form (L-1).

Which Payments Require Withholding

The payments on which withholding is required are all payments to an individual, including an individual operating as sole proprietorship, who is not an employee subject to normal Louisiana wage withholding if the payment is for services performed in Louisiana for your trade or business. This withholding provision applies to payments made to residents and nonresidents of Louisiana.

Payments include, but are not limited to, fees, commissions, awards or any other form of compensation paid to individuals or sole proprietorships. Payments to corporations, partnerships or limited liability companies are not included.

Services subject to withholding include, but are not limited to:

- Labor
- Construction, including payment for parts or materials used to perform the construction
- Legal services
- Accounting services
- Repairs

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Withholding Rate

The withholding tax rate on non-employee compensation is 4.2%. No non-employee compensation withholding is required on payments to an individual if the total payments for a calendar year to that individual do not exceed \$600.00.

Cynthia Bridges
Secretary